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SUBJECT: SOUTH KIVU ECONOMIC OUTLOOK: MUCH POTENTIAL,  
LITTLE INFRASTRUCTURE

REF: 05 KINSHASA 1067

¶1. (SBU) Summary: South Kivu, much like many other parts of eastern DRC, is an area of great economic potential with little means to realize it. Years of conflict, neglect, and mismanagement have turned the province into a shadow of its former self. Port facilities are in a state of disrepair; passable roads are nearly non-existent; and decades of war have ruined the region's industrial base. Provincial officials remain hopeful for a brighter economic future and talk of plans to revitalize the region. Their efforts, however, will be hampered by continuing insecurity and budgetary constraints. End summary.

¶2. (SBU) Officials throughout South Kivu portray the province as a potential catalyst for eastern DRC's economy. PolOff toured South Kivu May 22-29, meeting with a variety of political officials and community leaders, who all expressed optimism that the province was on its way towards greater development and economic vitality. South Kivu in the past was a producer of agricultural goods including processed sugar and cotton, as well as a major point-of-entry for foreign goods. Years of conflict, neglect, and mismanagement slowly destroyed much of the province's economic capacity.

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ROAD REHABILITATION A PRIORITY  
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¶3. (SBU) South Kivu Governor Celestin Cibalanza told PolOff in Bukavu that one of his main development priorities is rehabilitating the province's roads and infrastructure. He said rural development in particular will be key -- connecting the province's cities and villages with the provincial capital. Cibalanza said many areas, including the High Plateau region around Minembwe, remain cut off from much of the rest of the province. Such conditions, he said, stymie economic growth, leaving some communities little opportunity to engage in trade.

¶4. (SBU) The province's roads are in a state of serious disrepair. South Kivu's main highway runs from Bukavu to Fizi in the south, though the only paved section is from the Lake Tanganyika port city of Uvira to the border town of Kamanyola, about 25 miles south of Bukavu. The remaining sections of the road, originally built in the Mobutu era as part of the Pan-African Highway, are little more than rutted dirt and boulder-strewn tracks. Many portions are often impassable during the rainy season.

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AGRICULTURAL POTENTIAL

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15. (SBU) Governor Cibalonza highlighted his plans for economic development and his desires to increase agricultural production. Without providing details on how he intended to do so, he claimed he wanted to make South Kivu a leading producer of goods such as sugar, cement, cotton and livestock. Cibalonza added that South Kivu also has significant mining potential, especially in gold. Uvira Territory Administrator Daniel Eloko echoed the governor's optimism, saying there was also a huge potential for commercial fishing in Lake Tanganyika. Eloko said the port in Uvira could also be a major source of revenue from trade along the lake.

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OBSTACLES TO DEVELOPMENT  
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16. (SBU) Cibalonza's and Eloko's dreams of economic prosperity, however, face a harsher reality, as South Kivu's industrial base is almost non-existent, aside from a pharmaceutical company and a brewery, both of which are majority foreign-owned. A case in point is the former sugar refinery in the town of Kiliba outside Uvira. At the height of its production in the early 1990s, the plant reportedly employed some 5,000 workers and processed nearly 18,000 tons of sugar a year. According to the plant's current managers, the facility generated its own electricity, using the steam from burning sugar cane husks to power on-site generators. The Kiliba refinery closed in 1996, however, after the start of hostilities, and has not operated since. While much of the physical plant still exists, it needs a major overhaul. Plant

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managers said it would require at least USD 17 million over three years to rehabilitate the entire facility.

17. (SBU) Eloko's vision of a revitalized port in Uvira also faces obstacles. While the port always required regular dredging due to silting, it is the DRC's largest after Matadi in Bas-Congo province. Correctly, as Eloko himself admitted, the port barely functions. The only crane in use is the one owned by the World Food Program. Eloko said in order to make the port fully functional, the lake needs to be dredged, security measures must be put into place, and warehouses and docks must be built. Eloko estimated it would cost tens of millions to rehabilitate the port, and there is no sign of any money forthcoming to do so.

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PROBLEMS IN MINING SECTOR  
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18. (SBU) In the mining sector, government officials admit corruption and security remain serious issues, and local government has little control. Cibalonza said he wanted to "clean up" South Kivu's mining industry and was looking into changing the province's mining authorities. He claimed as well that many mines are under the control of FDLR forces, who illegally exploit and traffic gold in the areas of Shabunda, Walungu and Misisi. Canadian Banro Gold has several exploration permits in South Kivu and adjacent Maniema province, but no industrial production is occurring. Artisanal gold and cassiterite mining are leading sources of income throughout the province, according to MONUC officials. PolOff saw several newly-dug cassiterite mines near the village of Lemera (an area with heavy FDLR presence), with several dozen men digging. Most vehicle traffic in the southern part of the province, according to Fizi Administrator Alfred Efoloko, is of trucks crammed with diggers heading to the gold mines near Misisi.

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SECURITY VERSUS DEVELOPMENT  
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¶9. (SBU) South Kivu officials themselves are divided on how best to achieve conditions for economic growth and development. Cibalonza argued that improved security is the first priority, which could then lead to more investment and reconstruction. Eloko and Efoloko maintained that poverty and a lack of economic opportunities drive conflict. Eloko said that in the absence of jobs or constructive alternatives, many people -- especially young men -- are more apt to join militias and commit violence. Efoloko added that nearly half of the population in Fizi is illiterate, making it even more difficult for many to find sustainable employment.

¶10. (SBU) Despite these challenges, most officials were upbeat about the province's prospects. Cibalonza said that even though his provincial budget faces serious constraints due to a lack of resources from Kinshasa, he intends to press for major development projects. Efoloko said he is encouraged by the recent return of some 40,000 refugees from Tanzania who can add to the human resources available in the province. He cautioned, however, that many returnees had become accustomed to life in refugee camps, where nearly everything was provided them, and have lost the desire to work. Nonetheless, he and Uvira Administration Eloko claimed there is a new "dynamism" growing in their communities, with signs of new construction and investment appearing throughout the province.

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COMMENT: SOUTH KIVU'S WOES NOT UNIQUE  
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¶11. (SBU) Comment: South Kivu's economic difficulties are not unique in the Congo, as nearly all the provinces have been beset by violence, a lack of resources, degraded infrastructure, government neglect and overzealous and/or illegal tax collection. What sets it apart, though, is its significant unrealized potential, aided by its access to both East and Southern Africa markets. Provincial leaders nonetheless face significant obstacles in realizing greater development. The newly-formed provincial government has little capacity to manage the few resources it has and will receive little immediate support or financing from a cash-strapped central government in Kinshasa. Security

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remains the biggest problem, however, in a region that has been the cradle of many of the DRC's wars and insurgencies. Without a durable peace, South Kivu will remain in its current condition. End comment.  
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